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DEPUTY WHIP

Armed Services

Banking, Housing and Urban Affairs

Commerce, Science, and Transportation

Environment and Public Works

Small Business and Entrepreneurship

United States Senate

WASHINGTON, DC 20510

March 18, 2009

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Senator Chris Dodd
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Senator Richard Shelby
Ranking Republican
Committee on Banking, Housing & Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Dodd and Ranking Member Shelby,

Last week, on March 14, 2009, Edward Liddy, Chairman and Chief Executive Officer, American Insurance Group (AIG), wrote Treasury Secretary Timothy Geithner regarding compensation arrangements at AIG Financial Products (AIGFP) and AIG generally. The letter indicated that AIG had contractual obligations to make the bonus payments and could face lawsuits if it did not do so.

On Sunday, March 15, AIG announced that it would pay \$165 million to approximately 400 employees at the AIGFP unit. This is the division of the company that underwrote the sizable credit default swap (CDS) contracts which contributed greatly to the company's liquidity issues. It is concerning that a company which has received \$160 billion from the American taxpayer in the last six months, and lost \$61.7 billion for the fourth quarter of last year, would still pay roughly \$165 million in bonuses.

Since the inception of these federal bailouts, there has been mishap after mishap. This bonus fiasco is the most recent, and a direct result of a lack of transparency and accountability.

For this reason, the Senate Banking Committee must subpoena the relevant AIG contracts as well as any other documents that will help determine:

(1) What legal obligations did in fact exist to pay these bonuses;

(2) What awareness did then Treasury Secretary Henry Paulson, then President of the Federal Reserve Bank of New York Timothy Geithner, and Federal Reserve Board

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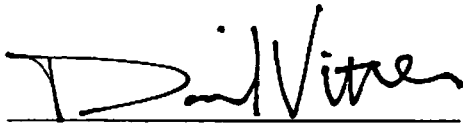
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Chairman Ben Bernanke have of these contracts when any of the government interventions in the company were contemplated; and

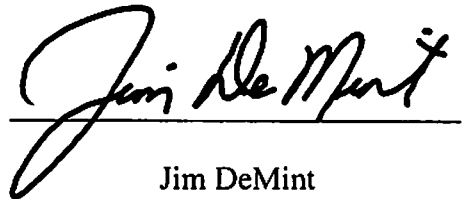
(3) Why was language inserted into H.R. 1, the American Recovery and Reinvestment Act, that seems to specifically exempt these AIG bonuses from executive compensation limits? [on page 404 of H.R. 1, D(iii): The prohibition required under clause (i) shall not be construed to prohibit any bonus payment required to be paid pursuant to a written employment contract executed on or before February 11, 2009, as such valid employment contracts are determined by the Secretary or the designee of the Secretary.]

As you know, the rules of the Banking Committee only require that the chair seek the agreement, approval, concurrence, or consent of the ranking member before issuing a subpoena, or the chair also may gain approval for a subpoena from a majority of the committee. We urge you to use the most expedient means possible to issue these subpoenas so that the Committee can move quickly to safeguard American taxpayer money and develop an exit strategy for federal involvement in private companies.

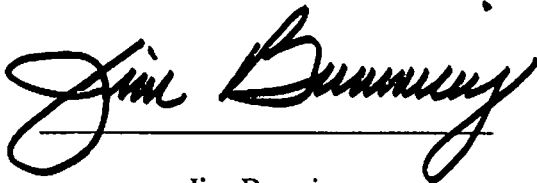
Sincerely,

A handwritten signature in black ink, reading "David Vitter", written over a horizontal line.

David Vitter
U.S. Senator

A handwritten signature in black ink, reading "Jim DeMint", written over a horizontal line.

Jim DeMint
U.S. Senator

A handwritten signature in black ink, reading "Jim Bunning", written over a horizontal line.

Jim Bunning
U.S. Senator